

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0682-08  
Bill No.: Perfected SCS for SBs 299 & 40  
Subject: Administration, Office of; Boards, Commissions, Committees, Councils;  
Appropriations; Governor and Lt. Governor; General Assembly; State  
Departments; Auditor, State  
Type: Original  
Date: February 13, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration** did not respond to our fiscal impact request.

Officials from the **Department of Economic Development (DED)** did not respond to our fiscal impact request. However, in response to a similar proposal from the current session, DED assumed the proposal could result in additional overtime payments in preparing for the review. However, it is not estimated to be a significant impact. DED assumed no impact from this proposal.

Officials from the **Missouri House of Representatives** did not respond to our fiscal impact request. However, in response to a similar proposal from the current session officials assumed the cost related to the proposal is unknown and would depend on how it is implemented.

Officials from the **Department of Corrections** did not respond to our fiscal impact request. However, in response to a similar proposal from the current session officials assumed the proposal would result in zero to minimal impact and could be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **Office of the Governor, Missouri Senate, State Auditor's Office, Missouri Tax Commission, Office of the State Courts Administrator, Departments of Health and Senior Services, Labor and Industrial Relations, Natural Resources and Revenue** assume the proposal would have no fiscal impact on their agencies.

Officials from the **State Treasurer's Office (STO)** assume the proposal would not significantly impact the operations of their office. STO notes if the proposal were to substantially impact its programs, then they would request additional funding through the appropriations process.

Officials from the **Office of the Attorney General** assume any potential costs arising from this proposal could be absorbed.

Officials from the **Department of Public Safety (DPS)** assume a cost cannot be determined since the proposal does not specify what a review would include. DPS assumes, depending on the detail of the review, additional resources may be required.

Officials from the **Office of the Lieutenant Governor** state until the cost/outcome or cost/performance analysis is developed, they cannot determine what the cost of implementing the proposal will be.

Officials from the **Department of Conservation (MDC)** assume a performance-based budget review could require some additional personnel time and, consequently, some fiscal impact. MDC states the amount of fiscal impact is unknown.

Officials from the **Department of Higher Education** assume no fiscal impact if the performance-based review applies only to their agency. Officials note if the review includes one or more higher education institutions, costs could be incurred to hire additional resources.

Officials from the **Department of Insurance** state they do not anticipate the need for additional staff, but depending on type, detail and frequency of cost/performance and cost/outcome analysis they may need to request additional staff at a later time.

Officials from the **Department of Mental Health (DMH)** assume their agency will have a performance-based review at least once every five years. DMH notes they will absorb additional printing costs which will be incurred due to including in the annual budget request the most recent reports completed by the State Auditor's office and including any evaluations done by the Oversight Division of the Committee on Legislative Research. DMH assumes existing staff

ASSUMPTION (continued)

would absorb any additional responsibilities incurred due to this proposal, and therefore, does not anticipate a fiscal impact.

Officials from the **Department of Agriculture (AGR)** assume future reviews will be similar to those they have provided to Budget and Planning previously and will not require significantly more time or personnel to complete. AGR notes additional staff could be required if the new guidelines substantially exceed previous requirements.

Officials from the **Department of Social Services (DSS)** assume fiscal impact depends upon whether or not existing data on performance measures will be used in the performance-based review procedures and about which portion of the Department the review will be applied to. DSS assumes if existing data would be used in the review and if the review were somewhat limited in scope, the work could be performed by the existing budget staff with no significant additional costs incurred. DSS assumes if the proposal changes the current detailed-base review statute and requires that new procedures be developed, it is possible the intent would result in a substantially new system that would require a new set of data. DSS assumes if substantially new data is necessary and that the requirement will be applied to the entire Department additional costs, including two FTEs, computer programming, and associated expense and equipment would be approximately \$57,849 in FY 2004; \$96,953 in FY 2005; and \$91,182 in FY 2006.

Officials from the **Department of Transportation (DOT)** assume the performance-based review information necessary cannot be determined at this time. DOT assumes one additional Senior Budget Analyst will be needed to gather additional detailed information required in the proposal. DOT notes the Senior Budget Analyst will monitor and gather the information required for the performance-based budget reviews. DOT estimates annual costs, including salary, fringe and associated expense and equipment to be approximately \$70,000.

Officials from the **Department of Elementary and Secondary Education (DES)** assume the proposal would result in the need to hire one Senior Budget Analyst to develop, coordinate and/or conduct the cost/outcome analyses for the DES's individual services and programs. Annual costs, including salary, fringe and associated expense and equipment would be more than \$70,000.

Officials from the **Secretary of State's Office (SOS)** assume implementing the proposal would require redesigning the SOS's use of the Federal Aid Management subsystem and the Project Accounting subsystem to allow performance budgeting/measurement cost data to be collected. SOS assumes two new staff (Senior Budget/Accounting Analyst and Computer Information Technology Specialist) would be required to setup and maintain the new in-house system and to coordinate feeding SAM II HR with the time keeping coding and pulling data from SAM II

ASSUMPTION (continued)

Financial to the new in-house system so the cost data and the performance data could be associated for reporting purposes. SOS assumes they would need to hire a Programmer to develop the business rules and code for the new in-house system and estimates needing the Programmer for approximately 960 hours. SOS notes until Budget and Planning identifies the performance measures, the total cost to the agency remains unknown. SOS states their agency must be prepared to record information regarding time and performance measures as well as cost at the employee level. SOS assumes, at the least, the first year costs of \$207,370 include the cost to develop an in-house system using a contract programmer at \$84,000. At the least, the annual costs to continue would be approximately \$150,000.

Officials from the **Office of Administration – Division of Budget and Planning (BAP)** assume the proposal would result in the need to hire two additional FTE (Budget and Planning Senior Analyst and a Planner III). BAP assumes the Senior Analyst will coordinate the Division of Budget and Planning's performance-based reviews of departments, divisions, agencies, programs, and funds. This person will be responsible for reviewing the entire budget, including budget subclasses, of each department as well as selected programs. BAP assumes the Planner III will assist in the performance-based reviews by analyzing outcome measures used for programs and funds within the departments, divisions, and agencies. This person will review historical outcome measures in comparison to established goals and objectives. This person will also review outcome measure projections for the programs and funds.

BAP notes they are requesting the market step salary for these additional staff because they believe it is imperative that experienced, higher level individuals are hired to coordinate the undertaking of conducting detailed performance-based review of all departments, divisions, agencies, and programs. BAP also notes in order to find significant savings, efficiencies, and program improvements, it will be necessary to hire staff that are familiar with state government operations, know how to develop and utilize different levels of performance measures, and have the ability to conduct detailed cost/benefit analyses of different types of programs. BAP states to hire staff of this caliber and experience, it will be necessary to offer a competitive marketplace salary.

**Oversight** assumes some agencies could experience an increased workload to implement this proposal. However, it is possible additional duties could be absorbed with existing resources. The proposal states this review will occur at least once every five years, on a rotating basis, after January 1, 2005. Therefore, this date includes only 18 months of the scope of this fiscal note. If an agency determines additional resources are needed, such resources could be requested through the normal budgetary process. **Oversight** assumes General Assembly budget committees are already working with detailed-based budget reviews. Switching to performance-based budget reviews should not result in fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal requires the Budget Director to develop and implement a performance-based budgeting system that establishes goals and objectives, provides detailed measures of program and fund performance against attainment of planned outcomes, and provides for program evaluations. The Governor may consider outcome measures used for each program and fund as compared with the attainment of the established goals and objectives of the program and fund over the past three fiscal years in preparing budget recommendations to the General Assembly. The General Assembly shall consider such outcome measures and attainment of goals and objectives for each program and fund in approving appropriation levels for each program and fund.

The Governor's budget recommendations, which are annually submitted to the General Assembly, shall include all outcome measures used for each program and fund as compared with the attainment of the established goals and objectives of each program and fund for the past three fiscal years and projected outcome measures for each program and fund for the current fiscal year and the next two fiscal years, the most recent reports done by the State Auditor's office, and any evaluations done by the Oversight Division of the Committee on Legislative Research.

### DESCRIPTION (continued)

The proposal requires a performance based budgeting review of each department and agency at least once every five years, beginning after January 1, 2005. The chairpersons of the House Budget Committee and Senate Appropriations Committee and the Director of the Division of Budget and Planning are to decide what the review will cover. The proposal also replaces the term “detail base” with the term “performance-based” with regard to budget reviews.

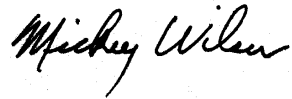
This proposal is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of the Attorney General  
State Auditor’s Office  
Missouri Tax Commission  
Office of the State Courts Administrator  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Health and Senior Services  
Department of Natural Resources  
Office of the Lieutenant Governor  
Department of Conservation  
Department of Higher Education  
Department of Insurance  
Department of Mental Health  
Department of Agriculture  
Department of Social Services  
Department of Transportation  
Department of Elementary and Secondary Education  
Department of Public Safety  
Secretary of State’s Office  
Missouri Senate  
Office of Administration – Division of Budget and Planning  
Office of the Governor  
State Treasurer’s Office

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**NOT RESPONDING**  
**Office of Administration**  
**Department of Economic Development**  
**Missouri House of Representatives**  
**Department of Corrections**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director

February 13, 2003